



# Benefits from CAFTA-DR

## Massachusetts

U.S. DEPARTMENT OF COMMERCE  
INTERNATIONAL TRADE ADMINISTRATION  
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Export shipments of merchandise—manufactures and non-manufactures—from Massachusetts to the CAFTA-DR region (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua) totaled \$139 million in 2004, the 21st-largest total among the 50 states.

Its exports to the CAFTA-DR region from 2000 to 2004 increased by \$59 million, or 73 percent, the 17th-largest dollar gain and 14th-fastest growth rate among the states. By comparison, total U.S. exports to the CAFTA-DR region grew by 16 percent over this period.

Individually, several CAFTA-DR markets are multi-million-dollar trading partners for Massachusetts. In 2004, Costa Rica alone received merchandise exports from Massachusetts totaling \$94 million and was the state's 26th-largest market. The Dominican Republic also ranked among Massachusetts' top 50 export markets that year.

### CAFTA-DR Provides Enhanced Market Access to the Dominican Republic and Central America

CAFTA-DR will boost opportunities for Massachusetts exporters throughout the region, providing new

market access for the state's products. More than 80 percent of U.S. exports of consumer and industrial products to Central America and the Dominican Republic will be duty-free immediately upon entry into force of the agreement, with remaining tariffs phased out over 10 years. Key U.S. exports, such as information technology products, agricultural and construction equipment, paper products, chemicals, and medical and scientific equipment, will gain immediate duty-free access to Central America and the Dominican Republic.

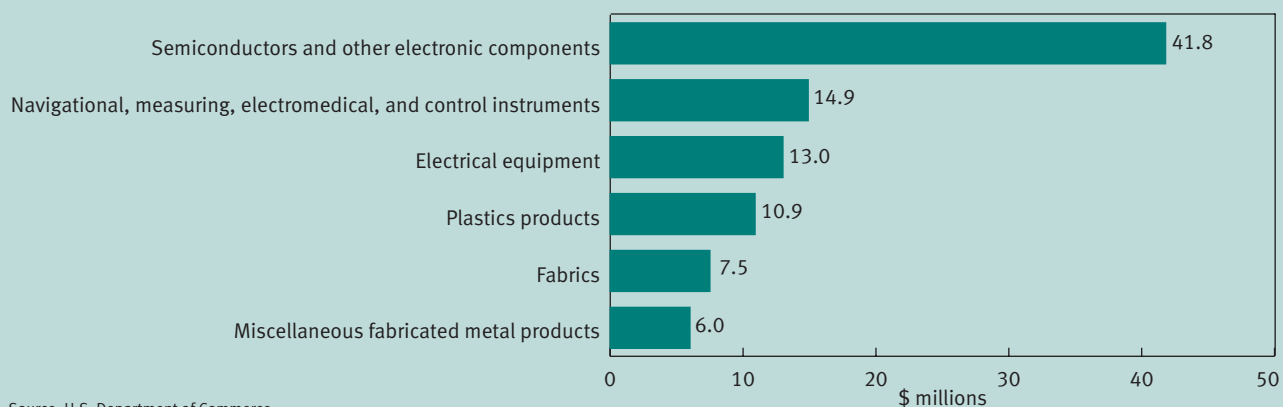
### CAFTA-DR Moves the Trading Relationship from One-way Preferences to Reciprocity

For 20 years, most Central American and Dominican Republic exports to the United States benefited from duty-free treatment, primarily as a result of the Caribbean Basin Initiative (CBI). Currently about 80 percent of the region's exports enter the United States duty-free, while U.S. goods exported to the CAFTA-DR countries face significant tariffs.

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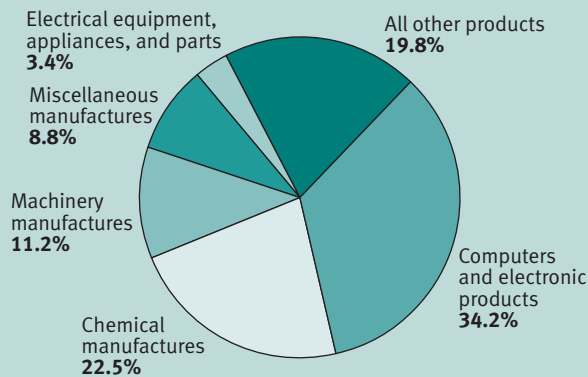
### Massachusetts Exported \$125.4 Million Worth of Manufactured Goods to the CAFTA-DR Region in 2004

*Semiconductors and Other Electronic Components Dominate*



## Massachusetts Exported \$21.8 Billion in Goods to the World in 2004

*Computers and Electronic Products Lead*



Source: U.S. Department of Commerce

## Semiconductor and Electronic Component Exports Are Important for Massachusetts

The state's top export category to the CAFTA-DR region, by far, was semiconductors and other electronic components. In 2004, exports to CAFTA-DR countries were valued at \$42 million, 30 percent of the state's total exports to the region. CAFTA-DR improves market access for information technology goods and service providers. All exports of products covered by the Information Technology Agreement, including important Massachusetts exports of semiconductors and electronic components, will receive duty-free treatment immediately upon implementation of the CAFTA-DR agreement.

## CAFTA-DR Opens Markets for Other Key Massachusetts Exports

An overwhelming majority (90 percent) of Massachusetts merchandise exports to the CAFTA-DR region are manufactured products.

**Instrumentation equipment.** A leading Massachusetts export to the CAFTA-DR region is navigational, measuring, electromedical, and control instruments (\$15 million in 2004). Under CAFTA-DR, virtually all these products will become duty-free immediately upon implementation of the agreement.

**Plastics products.** Massachusetts exported \$11 million in plastics to the CAFTA-DR region in 2004. Massachusetts exporters will benefit from CAFTA-DR tariff reductions on plastic products.

**Fabric mill products.** One of the state's leading exports to the CAFTA-DR region is fabrics, with 2004 exports valued at \$7 million. CAFTA-DR provides regional garment-makers—and their U.S. suppliers of

fabric and yarn—a critical advantage in competing with Asia. Garments made in the region will be duty-free under the agreement if they use U.S. fabric and yarn, thereby supporting U.S. exports and jobs. Textile and garment factories in Central America and the Dominican Republic purchase large amounts of fabric and yarn from the United States; the region is the second-largest world market for U.S. textile fabrics and yarns.

**Other manufactures.** During 2000 to 2004, the biggest percentage increases in manufactured exports to the CAFTA-DR region from Massachusetts were registered by: magnetic and optical media; miscellaneous transportation equipment; miscellaneous furniture-related products; audio and video equipment; and iron, steel, and ferroalloy. Exporters of these and other products should get a competitive boost with the elimination of tariffs on their products.

## Massachusetts Exports Were Spurred by Past Trade Agreements

In the first year of the U.S.-Chile FTA, Massachusetts' exports to Chile increased by more than 38 percent. Since the North American Free Trade Agreement (NAFTA) was signed in 1993, combined exports to Canada and Mexico from Massachusetts have increased by more than 27 percent.

The Central American–Dominican Republic Free Trade Agreement (CAFTA-DR) group consists of Costa Rica, the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.

All state export data in this report are based on the Origin of Movement (OM) series. This series allocates exports to states based on transportation origin—i.e., the state from which goods began their journey to the port (or other point) of exit from the United States. The transportation origin of exports is not always the same as the location where the goods were produced. Thus conclusions about “export production” in a state should not be made solely on the basis of the OM state export figures.

Source: Bureau of the Census, U.S. Department of Commerce, Origin of Movement series.

Prepared by the International Trade Administration, U.S. Department of Commerce.